MEETING
STATE LANDS COMMISSION

STATE CAPITOL
ROOM 2117
SACRAMENTO, CALIFORNIA

THURSDAY, JUNE 22, 1978
10:00 A.M.

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C.S.R. License No. 3486

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SACRAMENTO, CALIFORNIA 95826
TELEPHONE (916) 383-3601
MEMBERS PRESENT

Mr. Kenneth Cory, Chairperson
Mr. Sidney McCausland, representing Mr. Roy M. Bell, Member
Ms. Betty Jo Smith, representing Mr. Mervyn M. Dymally, Member

STAFF PRESENT

Mr. Richard Golden
Mr. Robert Hight
Mr. Steve Mills
Mr. William F. Northrop, Executive Officer
Mr. W. M. Thompson
Mr. James Trout
Mr. F. D. "Bud" Unes
Mr. Al Willard
Ms. Diane Jones, Secretary
Ms. Judy Sarantis, Secretary

ALSO PRESENT

Mr. Alan Hager, Deputy Attorney General
Mr. N. Gregory Taylor, Assistant Attorney General
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CHAIRPERSON CORY: Call the meeting to order.

The first item is the confirmation of the Minutes of the meeting of May 31.

MS. SMITH: No problems.

MR. McCASLAND: No objection.

CHAIRPERSON CORY: Without objection, the Minutes will be confirmed.

Report of the Executive Officer.

EXECUTIVE OFFICER NORTHROP: Thank you, Mr. Chairman and Members. The first phase of plantings of the Watershed and Forest Rehabilitation Project on school lands has been completed as planned and on schedule. California Conservation Corps crews, under the direction of Commission staff and Service Foresters of the Department of Forestry, planted approximately 44,000 seedlings on 110 acres involving three sites.

Twelve acres of the 160-acre experimental plantation near Truckee were planted during a snowstorm in the first week of April, which one of the Commission members attended — much to her discomfort, I understand. Approximately 80 acres of a fire-killed parcel near Honey Lake were planted during May — we picked a May date which was going to look better — and an estimated 18 acres of cut-over forest land
near Bucks Lake were completed in the first week in June. Considerable accomplishments have also been achieved in preparation for next year's plantings, the first full year of the project. Among these activities included obtaining and classifying soil information, preparing prescriptions for the areas to be planted, obtaining access information, working out planting stock needs, and also preparing the Draft Environmental Impact Report which is currently being circulated to over one hundred agencies and private parties.

The next subject is the jojoba seeds. This hardy desert shrub is the focal point of an increasingly --

MR. McCAUSLAND: Mr. Chairman, I thought I had come to the State Lands Commission meeting today.

(Laughter.)

MR. McCAUSLAND: This is State Agricultural Board stuff.

CHAIRPERSON CORY: I didn't hear anything about this in the briefing.

MS. SMITH: You never do when it's in the Executive Officer's report.

MR. McCAUSLAND: Are these candidate projects for resubmittal for distribution to other needy local government programs?

EXECUTIVE OFFICER NORTHROP: We think we have an
area in much of our land that, because it's so bad, lends itself well for the growing of jojoba seeds. We recently found that --

MR. McCausland: Well, we'll save a whale, too, so I --

Executive Officer Northrop: That's correct.

We have received a request from the CCC to collect jojoba seeds on State school lands. The staff is cooperating with this joint effort, as is the National Park Service, and will explore the use of State school lands as test sites for growing these intriguing, oil-producing plants.

Chairperson Cory: Who writes your stuff?

(Laughter.)

Executive Officer Northrop: I don't know. It's not very funny.

Mr. Thompson: I don't think it will ever replace an oil well.

Executive Officer Northrop: As this project gets further down the road, we'll be in to the Commission for specific --

Chairperson Cory: For what?

Executive Officer Northrop: For specific approval.

Chairperson Cory: To let the CCC go pick up some seeds? I mean, I think you can handle that one.
EXECUTIVE OFFICER NORTHROP: We will be looking at a plant -- we did so well on trees, we thought maybe the seeds would do well. So we may want to do planting on some of the desert property.

CHAIRPERSON CORY: Wonderful.

EXECUTIVE OFFICER NORTHROP: Moving right along -- in fiscal year 1977-78, the Commission sold a total of nearly three million board feet of merchantable timber from five parcels of school land for nearly a half-a-million dollars. About one-quarter of the volume sold was fire- or insect-damaged timber, and the remainder was mature or overgrown timber and some green timber as well.

A preliminary review of the aerial photograph and available mapping indicates there may be one hundred million board feet of merchantable timber on some 120 school parcels of land. Much of this timber on these parcels is in old-growth stands, where there is little net-volume increase because decay generally cancels out the gross. By harvesting the mature and overmature trees from these timber stands, growth on the remaining younger trees can be accelerated.

During the next fiscal year the staff plans to prepare and submit to the Commission sales to harvest approximately three million board feet of timber from seven school land parcels. In addition to maturity, availability
of access is the major criterion for selection. Also, the staff will respond to any additional salvage operations that may be required during the year regarding fire- or insect-damaged timber.

CHAIRPERSON CORY: Why are you doing basically the same number of board feet this year as last year, and you tease us with the line that we've got a hundred million board feet of merchantable timber? We seem to be hurting for money. The implication of what you told me -- at least, the impression that I got -- was that the forest might be better off if we did the harvest than if we didn't. Why don't we do six million, ten million?

EXECUTIVE OFFICER NORTHROP: The available timber would only be harvested if, in the estimation of our timber people, it would be of benefit to the stand. So far, the staff has not taken a position that harvesting timber is a revenue-producing area that we should -- if that's the feeling of the Commission --

CHAIRPERSON CORY: I don't know.

EXECUTIVE OFFICER NORTHROP: -- I think maybe we should investigate looking at doing an economic harvesting of the timber. We've never used that as the criterion in the past.

CHAIRPERSON CORY: What is the criterion?

EXECUTIVE OFFICER NORTHROP: If it promotes the
growth of the existing timber in the area or if we're going to lose it because of infestation, fire, and that sort of thing. That's been the criterion. We have not --

CHAIRPERSON CORY: And there's only three million of the hundred million board feet that would be available?

EXECUTIVE OFFICER NORTHROP: Yes, in that latter category. We'll certainly take a look at it.

MR. McCausland: This is a selective cut?

EXECUTIVE OFFICER NORTHROP: Right.


MR. McCausland: No, no. I want to stick with my areas of expertise. I'm big on jojobas --

(Laughter.)

CHAIRPERSON CORY: Okay. Moving right along.

EXECUTIVE OFFICER NORTHROP: Mr. Chairman, Members, in Item Number 34, the Alamitos Bay Settlement Agreement 8 is presented to the Commission for its consideration and approval today. This agreement is the result of more than 13 years of negotiations and drafting. It represents the last of the major agreements resolving the title and boundary problems in the City of Long Beach in the Alamitos Bay area which started in 1957.

This and other Alamitos Bay Agreements are an exemplar of how title and boundary disputes can be resolved.
if all of the affected parties are willing to work together.
Even though this settlement has involved more than 2.6
square miles of land occupied by more than 19,000 inhabitants,
hard work and the desire to succeed in a satisfactory
resolution have insured that there was no major interruption
to private occupation.

At this time I would like to express my appreciation
to the City of Long Beach, numerous private parties and
their attorneys, the staff of the Lands Commission, and
the Attorney General's office, who have worked so diligently
on these matters. It is my hope that this may be an example
to be followed in other pending matters where similar
problems are presented.

That completes my report, Mr. Chairman, and
Item Number C7 is off calendar.

Thank you very kindly.

CHAIRPERSON CORY: Any questions?

MR. McCAUSLAND: Well, that was really marvelous.
I can see why you write that the night before.

(Laughter.)

MR. GOLDEN: Mr. Chairman, Members, this month
the Assistant Executive Officer’s report will focus on two
items of significance concerning the staffs of the State
Coastal Commission, the San Francisco Bay Conservation and
Development Commission, and the State Lands Commission.
BCDC first -- the staff of the Commission, along with representatives of the Attorney General's office, are meeting this afternoon with staff members of BCDC to discuss matters including: one, streamlining liaison between our staffs on BCDC administrative permits; two, potential problems arising from the manner in which Board of Tideland Commissioner Lots are dealt with in BCDC permits; and three, the public trust status in artificially created waterways.

On the other side, the State Coastal Commission -- the State Commission and the six regional Coastal Commissions have begun imposing a standard covenant on their applications whenever sea walls, groins, or other shoreline projects are proposed. The standard coastal permit condition will require permitees to clear with the State Lands Commission before proceeding with construction on their projects. Prior to this condition, coastal projects affecting State Lands were not necessarily brought to our attention.

That concludes my report, Mr. Chairman.

MS. SMITH: What time are you meeting this afternoon?

MR. GOLDEN: Two o'clock at our office.

CHAIRPERSON CORY: Any questions?

MR. McCausland: (Shakes head.)

CHAIRPERSON CORY: Okay. The next items on the
agenda are the consent calendar items, C1 through 9, excluding 7. These items will be taken up all in a group.

Is there anybody in the audience who has any objection to the proposed authorizations as prepared by the staff on these items?

Hearing none, without objection, the consent calendar will be approved as presented.

Item 10, granted lands, substantial compliance, San Mateo.

EXECUTIVE OFFICER NORTHROP: Mr. Chairman, staff has found that the San Mateo Harbor District has substantially complied with their granted -- it is recommended that it be accepted.

MR. McCausland: No objections.

CHAIRPERSON CORY: Without objection, Item 10 is approved.

Item 11, Moss Landing.

EXECUTIVE OFFICER NORTHROP: Mr. Chairman, PG&E has had a delay in getting their lease approved and has asked for two things. They've asked for the term to reflect the six months it's taking them to put their package together; and secondly, the matter of volumetric rental -- we're informed by the Attorney General's office -- has been a matter of collection to be held in a suspense account. Our original lease did not cover that, so what
SMITH: -- in terms of our future agreements?

TAYLOR: Again, I'm going to have to say that understanding, but we need Dennis Eagan to be in that more fully.

SMITH: Maybe we should take this off the

AIRPERSON CORY: I don't understand the other discrepancy between 19-6 and 20.

HIGHT: Mr. Chairman, they were unable to furnish their necessary permits, and they asked that the date really begin on July 1st, '78, instead of the 1st, '78.

McCausland: May I ask a question?

AIRPERSON CORY: Yes.

McCausland: Isn't it true, though, that facilities have been in operation during the period through today's date?

TROUT: They're not on our land.

McCausland: But not on our land.

TROUT: They're on the grant to the Moss or District.

McCausland: So the State has not received the rentals under the terms of this lease to

HIGHT: (Shakes head.)
MR. McCausland: Have they incurred any
obligation to pay us anything?

MR. HIGHT: That's correct.

MR. McCausland: That's interesting. Then why
would they want a six-month shortening of the terms of the
lease?

MR. TROUT: Mr. McCausland, the main reason is
that the lease provides that construction will start within
a specific period of time after the beginning date of the
lease.

MR. McCausland: Wouldn't it be easier to just
amend that clause of the lease?

MR. TROUT: I guess it's a matter of choice as
to how you do it.

MR. McCausland: We were one of the agencies that
delayed the approval of the EIR, so I assume we should be
willing to shoulder some responsibility for an extension
of the permissible date for the commencement of construction.
But I don't see why we should go back and renegotiate all
the other terms of the lease on the basis of the EIR review.

Chairperson Cory: I detect that there are not
three votes to deal with this item this morning, and I think
you should inform PG&E and see what they want to do.

Item 12.

MS. Smith: Are you taking this off calendar?
CHAIRPERSON CORY: There's no action. If I'm misreading the Commission, I'm willing to entertain a motion, but I get the impression that there are not two --

MR. McCausland: I'm willing to leave it open to negotiation rather than vote against the calendar item.

MS. SMITH: Yes, because I'm going to vote against it today.

MR. TAYLOR: I'll have Mr. Eagan here, or we'll have a briefing.

CHAIRPERSON CORY: No action was taken --

MS. SMITH: Just have him come in.

EXECUTIVE OFFICER NORTHROP: We will be meeting next time in close proximity to that area, as well.

CHAIRPERSON CORY: Okay. Item 12.

EXECUTIVE OFFICER NORTHROP: Mr. Chairman, this is a request for a Watershed Rehabilitation project which, in future years, may give us revenue on timber.

CHAIRPERSON CORY: Questions from the Commissioners?

MR. McCausland: No problem.

CHAIRPERSON CORY: Anybody in the audience?

Without objection, Item 12 will be approved as presented.

Item 13.

EXECUTIVE OFFICER NORTHROP: It's a contract, Mr. Chairman.
MR. McCausland: No problem.

Chairperson Cory: Questions?

Ms. Smith: No.

Chairperson Cory: Anybody in the audience on Item 13?

Without objection, Item 13 is approved as presented. Item 14, execution of an interagency agreement with the Department of Justice.

Mr. McCausland: I think they've gotten enough out of us already.

Chairperson Cory: I thought we just had the last major settlement of Alamitos Bay, and I see son of Alamitos Bay here for a hundred and sixty grand. I mean --

Mr. Taylor: Well, this is mostly for the oil operations.

Chairperson Cory: Okay.

Mr. McCausland: But we're not making any money off of that, either. How about going on a profit-sharing basis?

(Laughter.)

Mr. Taylor: If I could get the right rate, I would be very happy to do that.

Chairperson Cory: But that would be wrong.

(Laughter.)

Mr. Thompson: We'd spend $160,000 for lawyers to
represent us against the Attorney General's office, though.

CHAIRPERSON CORY: Are there any objections?

MS. SMITH: (Shakes head.)

CHAIRPERSON CORY: Without objection, Item 14 will be approved as presented.

Item 15, authorize the Executive Officer to extend existing helicopter services with Condor from July 1, '78. Why are we extending it rather than rebidding?

EXECUTIVE OFFICER NORTHROP: Mr. Chairman, this budget -- we will not use all of the money involved as the budget for last year. Mr. Willard made a survey of the helicopter companies, and perhaps he would care to discuss that with the Commission.

CHAIRPERSON CORY: Why are we extending rather than rebidding?

MR. TAYLOR: So it won't revert, so the money won't revert.

EXECUTIVE OFFICER NORTHROP: No, no.

MR. McCAUSLAND: Let me ask you another question. This must be about the fifth year of this contract, isn't it?

EXECUTIVE OFFICER NORTHROP: I believe it's the third year that I know of.

MR. McCAUSLAND: What is our normal statutory obligation? To rebid next year? It seems to me like after
you've gone for three years, you're supposed to go back or something like that.

MR. HIGHT: No. If the terms of the contract haven't changed, if they're under the existing terms, and with General Services' approval, mind you, you can go forward, and there doesn't seem to be any limitation. We surveyed the other people in the area. This is the cheapest deal. There isn't anyone else close who can do it for this price.

EXECUTIVE OFFICER NORTHPROP: We surveyed every agency that supplies that service in the area, and they indicated they would bid their previous bid. So we just left it there. It's not a big contract. We're really not anxious to get it.

MS. SMITH: My understanding is that they only pay by the hour anyway for the services that are provided.

EXECUTIVE OFFICER NORTHPROP: Yes. This is a max contract, not a firm-price contract. If we don't use it, we don't spend it.

CHAIRPERSON CORY: Did you ask them whether or not they're going to pass through the Prop. 13 savings?

EXECUTIVE OFFICER NORTHPROP: No, sir, we did not.

CHAIRPERSON CORY: Moving right along, any other questions on this item?

Without objection, the item will be approved.
Item 16, approval of service contract with Atlas Blueprint for '78-'79 fiscal year, not to exceed $38,775.

Is there anybody in the audience on this item?

MR. McCUSKLAND: No objections.

CHAIRPERSON CORY: Questions?

MS. SMITH: (Shakes head.)

CHAIRPERSON CORY: Without objection, Item 16 will be approved.

Item 17, Informative.

EXECUTIVE OFFICER NORTHROP: Mr. Chairman,

Mr. Al Willard from the Mineral Extraction Section will just briefly give a run-through of where we are as far as revenues that are in the impound account for geothermal -- in our hopes of getting.

MR. WILLARD: In accordance with the sales contracts for the sale of geothermal resources in The Geysers area, the price is redetermined on an annual basis. And based upon the 1977 figures, the new price for 1978 has been set at 15.52 mils per kilowatt. This is based upon the average cost of fossil fuel and nuclear fuel to the PG&E system for the year.

MR. McCUSKLAND: Does that include factors for imported fuel from cartel-controlled sources?

MR. WILLARD: I would assume, yes. I mean, it's the average cost to their system.
MR. McCausland: Wouldn't that be a precedent that we might want to research adequately in our own interests when it comes to discussion on that for --

Chairperson Cory: Similar items, yes.

MR. McCausland: -- similar items? If that's the technique they utilize for valuing geothermal resources, I assume it's a technique that's appropriate to --

Chairperson Cory: Other energy sources.

MR. McCausland: Other energy sources, yes. Thank you.

MR. Willard: In accordance with this new sales agreement, it will mean approximately $4 million royalty in the 1978 calendar year.

Chairperson Cory: Have the legal people gotten the inference that Mr. McCausland wants you to research?

Executive Officer Northrop: Yes, sir, we have.

Chairperson Cory: Okay. I don't think we need to belabor it.

Any other questions on anything else?

We still have the terrible contract that they can stack the steam to the air and not have to pay for it.

MR. Willard: That's correct, if they're not utilizing it.

Chairperson Cory: I hope we don't enter into any more of those. I hope you understand what they do. If they
don't want to use the steam, I think they let it go to the
air and they don't have to pay for it.

MR. WILLARD: They can also pinch back the wells
to a degree. It does not necessarily have to be stacked.

CHAIRPERSON CORY: Okay, but they're --

MR. WILLARD: On occasion, it is.

MR. McCAUSLAND: I don't have any objection to
it being on occasion, but I would like to understand the
geologic consequences of closing down the well when it's
not required rather than venting. If you're not damaging
the substructure --

CHAIRPERSON CORY: The courts have held that it's
a mineral; therefore, it's okay. I don't know if the
people down below understand what the courts have done, but --

MR. WILLARD: To a degree, there is a point,
however, where if you shut them off completely, you can
injure the well; that is, drown the well out.

MR. McCAUSLAND: That was my question. I'd like
us to understand as a Commission what reasonable conservation-
management techniques would be for the management of our
geothermal resources so that if we can vent only that which
is necessary to the maintenance of the field, I would like
to only vent that amount.

MR. WILLARD: Yes.

CHAIRPERSON CORY: Our problem, I think, is that,
from an energy-management problem -- resource problem --
the geothermal, it would seem to me, is technically more
suited to a constant energy-supply utilization, and our
contracts allow them to use it for peaking.

MR. WILLARD: Yes.

CHAIRPERSON CORY: And as I understand the energy
source, it is ideally suited for constant flow.

MR. WILLARD: It would be.

MR. McCAUSLAND: When do we get to readdress that
issue in the leases?

CHAIRPERSON CORY: That's the problem.

MR. McCAUSLAND: Never?

MR. WILLARD: In 20 years from 1971.

MR. McCAUSLAND: Maybe I can come back and haunt
them. Maybe we can talk about Moss Landing together.

(Laughter.)

MR. WILLARD: Royalties are up for renegotiation
in 20 years following the negotiation dates.

CHAIRPERSON CORY: In future contracts I think we
ought to try to address ourselves to the concept that a
constant energy source is being used for peaking.

MR. McCAUSLAND: Short of that, I think it's
appropriate to have meetings with the management and the
operators of the field regarding the relative importance
of this resource in comparison to other energy sources
because I think that, since the time they entered into the development of this field and we entered into the contract, the relative prices have changed considerably. It probably should no longer be considered a peaking source.

EXECUTIVE OFFICER NORTHROP: In addition to this, the general attitude towards geothermal since 1971 has had quite a change because at that time it was considered some kind of a weird operation. Now it's becoming much more of a serious energy source, particularly since 1973.

MR. McCAUSLAND: Why don't we try to find a forum in which we can discuss this without antitrust implications or anything else? Just as a --

EXECUTIVE OFFICER NORTHROP: I would suggest that we make it a calendar item for the next meeting back in Sacramento.

MR. McCAUSLAND: There might be good publicity for all parties concerned if the operations of these fields could be modified somehow.

EXECUTIVE OFFICER NORTHROP: We anticipate having on the calendar next month a geothermal bid. At that time we may want to tailor our new contracts to reflect that, as the Chairman suggested.

MR. McCAUSLAND: Let me ask a question on that: Is it clear that this type of resource is best used as essentially a steady State-load source rather than as a
peaking source? Is that fairly well established, or is that a subject of debate and controversy?

MR. WILLARD: It certainly would appear that it would be more appropriate as the steady --

MR. McCUSAULD: I would think so, yes.

MR. THOMPSON: We still have the problem, though, of a plant being down so you do have down times.

MR. McCUSAULD: That's okay. You can factor that in. I mean, there's nothing wrong with a plant going down once in a while. The question is whether you want it to be going down every day for a good part of the day.

MR. THOMPSON: (Nods head.)

MR. WILLARD: A question of economics, I presume, would come into this thing with respect to the generation of electricity. If hydropower is considerably less expensive as opposed to geothermal, it would be --

MR. McCUSAULD: Maybe we should get into the hydropower business, too. We've been lying back on a lot of this.

CHAIRPERSON CORY: Yes. Where should we put a dam?

(Laughter.)

CHAIRPERSON CORY: Let's build a dam somewhere.

EXECUTIVE OFFICER NORTHERN: How about Auburn?

CHAIRPERSON CORY: There are still a few people
we haven't offended.

MR. WILLARD: Just to sum this up, then, the total amount -- as you're aware, this matter is currently being litigated as to the ownership in The Geysers area. We have about $8.8 million in the trust account, which, upon final settlement of the court case which is on appeal at this time, will ultimately end up in the general fund.

CHAIRPERSON CORY: Where are we -- I saw something in the newspaper about other litigation on environmental problems by Lake County or --

MR. TAYLOR: I saw the same newspaper article, and Lake County has requested that the ARB sue PG&E or increase the requirements with regard to H₂S discharges into the atmosphere. Apparently, PG&E was granted a deferral in a program to restrict those discharges. I don't know exactly what the status of that is. I've checked with the Resources Section in our office, but I have not yet reached the person that would handle that referral from the ARB if it was made.

Lake County apparently contends that H₂S is blowing over the mountains into their county from this production. There has been a program because I've been to the field, and at the time I was there it was a very clean operation. Apparently, a proposed delay in this program has been made, and the county is upset about it and asking the State ARB...
Commission to do something. I'll try to find something about that and pass the information on to Mr. Northrop for you as soon as I do.

I've come to one other item on this lawsuit. We prevailed at the trial court level after -- I believe the trial was two years ago now. It was a summer-long trial, and the State's position was upheld. At that time there was another State court action pending on whether geothermal energy was a mineral or a water. The matter was allowed to hold for that decision to come down.

The decision came down and held that it was a mineral. Then they appealed that to the Supreme Court, which was denied, and then they went to the United States Supreme Court for review of that matter, which was denied. There was some hope at that time that Union Oil would be satisfied that that disposed of the issue, and this litigation would be dropped. That now does not appear to be the case. Union has now announced that they are going to proceed with the appeal of this case as well.

I do not think the record has been completed yet. Then they will have 30 days in which to file their opening brief, and we must file our brief in response. There is eight million on deposit at the present time in a bank because there was a dispute over how the money would be held pending the outcome of the lawsuit, and the court...
imposed that order. We wanted to take it into the State Treasury. They weren't happy on the terms we wanted to take it into the State Treasury and hold it. The matter was argued in court, and the court took it away from both parties and put it, I believe, in Hibernia Bank or Wells Fargo Bank.

The balance in that trust account is now eight million seven hundred-some thousand dollars, with a new rate. The reason the amount is so low is that the rate of our royalty started out very low -- 56,000 a year. It's now four million a year, so this account will begin to grow in geometric proportions very rapidly.

My instructions to Dennis Eagan will be that he is to give this case all priority. But since we're not the appellant -- Union Oil is the appellant -- we can make it as uncomfortable as we can for them as far as extensions of time and other things are concerned. We are still looking at this account building up to a point where the case may not be final for two to four years so that this amount of money will be building up and probably will not be available for State use until that time. So, while there's going to be quite a nest egg here, it's not available for immediate State funding.

CHAIRPERSON CORY: Would it be wrong to suggest that the terms of the trust agreement provide that when it's
released it will be available to fund the costs of the courts
and judge's salary benefits?

(Laughter.)

CHAIRPERSON CORY: Would that be wrong?

MR. TAYLOR: It might expedite it.

MR. McCausland: You might want to consider that
as a rider on your volumetric rental impound because that
will probably grow at a more rapid rate than this would.

MR. TAYLOR: I haven't seen the figures yet on
the volumetric one. Both of these lawsuits will have to
be moved. We have a much different position here. This
one will come in sooner, but both of them will be very large
amounts. We are getting something out of the volumetric,
though. We are at least getting the minimum rent, which
is considerably more than what was obtained from these
leases in the past. The problem with the Pariani case --
the geothermal case -- is that it's a winner-take-all
situation. We're right or they're right, and there isn't
any in-between, so the money is going to sit there until --

CHAIRPERSON CORY: Those of us in elected politics
deal with that all the time.

(Laughter.)

CHAIRPERSON CORY: Okay. Anything else on Item 17?

Questions?

MS. SMITH: No.
MR. TAYLOR: Mr. Chairman, could I come back to Moss Landing for just a minute, because I think the record should be clarified. Mr. McCausland indicated that there was a delay in the approval of the Moss Landing matter because of our handling of the EIR. I would like to make it clear for the record that there was no delay on the part of the staff in the preparation of the EIR. The EIR process took a long time because of the procedures set forth for members of the public to comment. There was considerable controversy over this transaction, and quite a bit of additional information had to be obtained. However, the staff of the Lands Commission and members of our staff that work for you in this connection worked very hard in expediting that matter.

As a matter of fact, at the request of PG&E, we expedited the putting of this matter back on the calendar so that at least the EIR portion could be acted upon by the Commission so that they could get their other permit. So from the standpoint of the Commission's actions or the attorneys' actions in this case, while there was a delay, the delay was not caused by the staff. It was caused by the normal procedures required to be fulfilled for an EIR, and the staff did everything it possibly could to make sure that that got through in the shortest possible time.

MR. McCausLAND: I would like to stipulate that I
agree with Mr. Taylor but that the Commission itself, in its own wisdom, determined that the public input required additional deliberations on our part. But the staff clearly did everything they could to expedite the matter.

MS. SMITH: One question: Doesn't every applicant assume the risk of that type of delay and assume the risk of having to pay part of the rental even though they're not using the lease?

MR. TAYLOR: Yes, that may be. I just wanted to make the record clear that it wasn't any fault of the Commission, but it was the Commission properly discharging its duties as required by law that required us to require the long time.

MR. McCUSAULD: Can you answer the question, though? That's a very important question to me.

MR. TAYLOR: Your question was that they assume certain risks, and the answer to that is yes, they do.

MS. SMITH: (Nods head.)

MR. TAYLOR: They do. It's the same situation we have with regard to the Exxon platform.

CHAIRPERSON CORY: Okay. Do we need any more on the record on this?

Are you happy with the record at this point?

MS. SMITH: Yes.

CHAIRPERSON CORY: You know, Moss Landing, fine.
I think that clarified me.

The next item is 18, which is that Mr. Northrop's been -- two or one?

EXECUTIVE OFFICER NORTHROP: One issue, one tentative. At the time the calendar went to press we thought we had issued, but we hadn't really issued it yet.

CHAIRPERSON CORY: Okay. Anybody in the audience on Item 18?

Okay. We acknowledge that we've been informed. We get to be informed again on the Long Beach operations on monitoring of possible geologic hazards in Long Beach.

EXECUTIVE OFFICER NORTHROP: Mr. Chairman, 19 through 25 will be handled by Mr. Thompson, who's been working this month.

MR. THOMPSON: All right. Twice a year the City of Long Beach and the harbor area and some of the surrounding area run ground-elevation surveys. The results of that survey are seen on this map up here.

This is a cum ground-elevation change here since May of 1965 -- just prior to production at the Long Beach Unit -- through February of 1979. What this map shows is that everything within the green area off to the east there --

CHAIRPERSON CORY: Green?
MR. THOMPSON: The green line off to the east there, the far east -- that one. Everything from there westward is higher than it was in May of 1965 with the exception of a small area --

CHAIRPERSON CORY: When you say "higher", how much higher?

MR. THOMPSON: I think the maximum in there is nine-tenths of a foot, about in that area right in there.

CHAIRPERSON CORY: What's the average increase? Six-tenths, five-tenths?

MR. THOMPSON: Well, you'll start with the first contour line there, and that will be one-tenth of a foot. And it will build up -- that's one-tenth, two, three, four, about four-tenths in there. There's a concentrated area down there where it's five, six, seven -- up to nine-tenths. And there's one area, a small green area, just to the left of where he's pointing now --

CHAIRPERSON CORY: I'm sorry but I'm sort of a naive klutz, and I think that's just fascinating that the ground is that much higher and nobody knew it. That explains the cracks in the walls and all those things, right?

MR. THOMPSON: No. We monitor it every six months. We knew it was going up. It also has gone down. It's gone down and has come back up. You've seen the same
thing in the bulge out at Palmdale. That went up and came
down. The whole Los Angeles Basin, in effect, is
tectonically active. It's going up and down. It's also
moving sideways. Along with this, they periodically run
horizontal surveys to see where you're located within the
whole Basin.

CHAIRPERSON CORY: I still keep clinging to these
views that the sun rotates around the earth, and the earth
is solid. But go ahead. I'm sorry.

MR. THOMPSON: All right. So our staff review
of this ground-elevation survey from May 1965 to February
'78 substantiates that no subsidence of the land surface
has occurred as a result of operations of the Long Beach
Unit. In addition to this, we run a network of five
seismic monitoring stations at the same time to monitor any
subsurface seismic events occurring within the area, and
during this period we've had no seismic events within the
Unit area.

CHAIRPERSON CORY: How do you know that that's
the case and that the units didn't work?

MR. THOMPSON: Because if there are five of them,
this would have to say that all five did not work. Lots
of times you can pick extraneous signals from one that will
not be confirmed on the other four. It's so sensitive that
a truck or something going by will give you an extraneous
signal for a real small seismic event. What you need is
confirmation from all five because this gives you a
triangulation at the location of where that seismic event
occurs.

These are recorded constantly, 24 hours a day.
They're set for a certain intensity, which really sets the
signal, then, and when it can stop. This is the same type
of thing that you get whenever there's a quake, and
Cal Tech comes on and gives a newspaper release or through
the radio of what the intensity of the earthquake was and
where it was located.

CHAIRPERSON CORY: Okay.

MR. THOMPSON: Now, the next item is on crude
oil pricing. We were to come back and talk about crude oil
pricing and what's happened in relation to the plan and
budget. Unfortunately, everything is rather current so
we really don't have too good an answer. The Department
of Energy came out with entitlements adjustments the first
of this month. You have this in an attachment that you have
there, and what they gave us is shown on these graphs,
these attachments.

Really, it's a reduction of the penalty on
upper- and lower-tier oil, and it varies by gravity. So
you have these.

Here, we're showing what's happened to two
different gravity crudes in Wilmington. We have 14-gravity crude on the bottom and 18-gravity crude on the top. You can see that the lower-gravity crude, 14, is even lower in relationship to ceiling price than the other gravity. That spread is 86 cents between current price and ceiling price for the 14-gravity crude, the bottom curve, and 67 cents for the 18-gravity crude.

The last change you see on the 18-gravity crude was a posting by Union Oil in February, and you see the same thing happening down on the 14-gravity crude. And then there was a posting prior to that around the first of the year by one company that showed up on the 18-gravity curve but not on the 14-gravity curve.

As of yesterday, Union Oil increased posting prices again, and until we get time to analyze that, we really don't know the impact. We think preliminarily that it will be about maybe another ten cents a barrel.

CHAIRPERSON CORY: That's if nobody else changes.

MR. THOMPSON: Because we again have to divide that by four to get the impact overall. They increased upper tier by about a dollar a barrel, which -- these are lower-tier crudes here. But for lower tier, some prices were actually cut, so it will take a little time. We would suggest that, if you really want an evaluation of the crude-oil-pricing relationship to planning and budget, we can
report back on this in July again because the postings should be out by that time, and we can evaluate it a little better.

MS. SMITH: (Nods head.)

CHAIRPERSON CORY: Okay.

MR. THOMPSON: Calendar Item 21 is a prior approval. All subsidence costs expenditures by the City of Long Beach to be reimbursed have to have State Lands Commission's prior approval. Some of these, we do on an annual basis so they can go ahead and do certain types of work. This is one of them which allows emergency maintenance work throughout the year, and this is reviewed after the end of the year to see if it is subsidence-cost related. If it is, it's reimbursed. Some of the areas within the harbor district are below sea level, so there really is an emergency need sometimes for maintenance work as it relates to subsidence.

CHAIRPERSON CORY: Any questions?

MR. McCausland: No.

CHAIRPERSON CORY: Without objection, 21 will be approved.

MR. THOMPSON: Item 22. In 1964, in bidding on part of the Long Beach Unit, there's a nonoperating portion of 20 percent of the Long Beach Unit, Tract 1. Its bid is called "nonoperating contractors".
Richfield and Standard at that time as a partnership bid on four of these parcels. There was a five-percent parcel, a two-and-a-half percent, a one-and-a-half percent, and a one percent. They now want to split that partnership up so that each has an undivided interest in which Atlantic Richfield would maintain the two-and-a-half percent, the one-and-a-half percent, and the one percent, and Chevron -- successor to Standard -- would hold the five percent.

CHAIRPERSON CORY: There may be some advantage to them, but what's in it for the State of letting them sever their commitments to us?

MR. THOMPSON: Well, the contract itself says that any change in assignment has to be approved by the City of Long Beach and the State Lands Commission. So they're merely coming back in. If they want to change their relationship, they have to get approval for it.

MS. SMITH: Right, but we're not required to approve it.

CHAIRPERSON CORY: I understand why they're coming in, but it seems to me that at this point -- as I read the ads and all, there's a fierce competition in the industry -- one of these companies might go broke from this competition. And if that occurred, if we sever them, the one that went broke we couldn't recover against the other one, whereas if
they're jointly held, we could. I don't see what is on our side of the table to compensate for that lack of security.

MS. SMITH: I think the current arrangement provides the State with much more security, and I'm prepared to vote no on Item 22.

(Thereupon a short discussion was held off the record.)

CHAIRPERSON CORY: Anything we should know about? We're about to make a decision. Are we making the wrong one?

EXECUTIVE OFFICER NORTHROP: No. I think you're doing right.

CHAIRPERSON CORY: Sid?

MR. MCCAUSSLAND: No problem.

CHAIRPERSON CORY: Yes. I think that that's sort of my wish or inclination. I don't see any reason to approve it. I don't see what the State gets and, if the State doesn't benefit, I don't see that we have any obligation to approve it.

MR. THOMPSON: We'll inform the parties, then. If they want to ask again, why, they can come back at a future time and explain it to you or whatever.

MR. MCCAUSSLAND: I think it would be better for them to bring the whole package to us and show us what's in our best interest.
MS. SMITH: I think that they knew that this item was going to be on the calendar.

CHAIRPERSON CORY: Is there anybody here on Item 22?

MR. PARKIN: I'm John Parkin. I'm with the City of Long Beach. I understand that Arco wants to divide this so that they can in turn assign their oil to an independent. We're in hopes that we can realize more money than the posted price for their oil.

MS. SMITH: Which independent would they be assigning their interest to?

MR. PARKIN: Century Oil Company.

MR. THOMPSON: We would still be bound by the contract as far as the pricing provisions on this, regardless of who had the -- if we're assigned to someone else, we still have the contract language.

CHAIRPERSON CORY: It wouldn't affect the price unless the new purchaser started posting, I would presume.

MR. PARKIN: They could pay anything up to the ceiling price.

CHAIRPERSON CORY: But he'll be paying that to Arco.

MR. PARKIN: No.

MR. THOMPSON: He can only pay out of the contract terms. He can't pay more or less than the contract terms.
That would be my interpretation of it.

MR. PARKIN: Well, none of this is for sure.

MR. THOMPSON: Alan, could you answer this question?

MR. HAGER: Yes. If, for example, Arco were to assign -- this is just a hypothetical -- but if Arco were to make a pure assignment of its rights and obligations and its interests under the contractors' agreement, the other company would just be stepping in and taking over all those rights and obligations. There would be no change in anything, and the pricing provisions would remain the same. So there would be nothing compelling them to pay the City a higher price for the oil than the present holders of these interests are now paying.

CHAIRPERSON CORY: I think we know where we are, and we thank the staff for bringing this matter to our attention.

MR. THOMPSON: We'll inform them, then, that if they want to come back again, why --

CHAIRPERSON CORY: At this point the Commission, I think, has no interest in this item.

Item 23.

MR. THOMPSON: Item 23 is an attempt to level out the net-profits flow for a contractor here. We have to pay mining rights' tax twice a year, in April and December. And it creates an imbalance in the net profits account, so
what we'd like to do is each month take out, in effect, one-twelfth, just like the impounds are taken out when you buy a house or something like that.

CHAIRPERSON CORY: Is it April and December, or is it August?

MR. THOMPSON: Actually, it will be three payments because there will be an unsecured real property, I guess, in August, and there's a mining rights' tax in April and December. I believe that's the way it is.

CHAIRPERSON CORY: Okay.

MR. THOMPSON: But the main ones are the mining rights, which is a large one. Those are what we are trying to smooth out. That's all.

CHAIRPERSON CORY: This is to create an impound account. Who gets the interest on the impound account?

MR. THOMPSON: It actually stays within the account to pay the taxes. So we're impounding money and letting the money accrue on the interest on it to help pay the taxes.

CHAIRPERSON CORY: Okay.

MS. SMITH: That's fine.

MR. THOMPSON: And this rate will be higher than what we would get in the State Treasury.

CHAIRPERSON CORY: Without objection, Item 23 is approved.
Item 24.

MR. THOMPSON: This is another prior approval for the year for subsidence remedial-work accounts. This comes in six different categories. There are the vertical measurements, such as you see the result on that map. There are horizontal measurements, $5,000 for consultants and contingencies, $20,000 for preliminary engineering studies they do prior to getting prior approval for a project, State Lands' expense -- this is an expense that the Harbor Department staff incurs in working on these projects -- there's another lateral ground-movement study for $15,000. These add up to $355,000 in their request.

We've reduced one of the items from $125,000 to $80,000. That's the State Lands' expense because we think our requests of them will be less during the year and there will be less expense incurred in that. And we have a letter from the Harbor Department agreeing to this reduction.

CHAIRPERSON CORY: Any questions, Sid?

MR. McCausland: I have one question.

Do we have agreements with many other entities in the State where we are billed for their services? And are the rates at which we're billed in Long Beach within the ballpark range of the rates at which we're billed by other entities?

MR. THOMPSON: Let me clarify one point. They are
not actually billing us. This is a subsidence cost that
is deducted from the oil revenue.

MR. McCausland: You can call it one way or the
other --

MR. Thompson: Well, it's true it's one-hundred
percent --

MR. McCausland: -- I appreciate what you just
said, that technically we're not being billed for this, but
those are --

MR. Thompson: We're paying one-hundred percent.

MR. McCausland: -- funds that are not available
to flow through to us.

MR. Thompson: Yes, we're paying one-hundred
percent.

MR. McCausland: Are we paying rates that are
relatively equivalent to what other agencies that have
direct billing are billed?

Executive Officer Northrop: I can recall that
we had some surveying done by CalTrans --

Is that right, Jim?

MR. Trout: Right.

Executive Officer Northrop: -- and there, that
cost is --

MR. Trout: It was turned in by the State
Administrative Manual based on established pay scales plus
authorized overhead.

MR. McCausland: I don't expect instant expertise on an issue this technical, but I would like to know -- and I don't know how to keep the string on this -- whether we've been, you know, gouged.

MR. Thompson: Well, I don't know about that, but by the time we get through you can usually expect -- I think it's about a factor of 3.4 times the basic salary by the time it gets to this account.

MR. McCausland: That's pretty healthy.

Ms. Smith: Isn't there a provision included in the calendar item now for a review of the engineering work to make sure that the work is properly done and we haven't been excessively billed?

MR. Thompson: This would be the scope of the work and whether it was charged right. Again, if we get to the question of interpretation of the City of Long Beach or the Harbor Department's overhead allowance -- if you want, we'll pursue this with the City of Long Beach. We have a lot of things to discuss with them on subsidence items and --

MR. McCausland: Well, I have a couple of questions. There's no question in my mind that the City of Long Beach probably uses generally accepted accounting practices in their dealings with us, and it would be in
their best interest to not have anything amiss there. But
I'm quite concerned about whether or not all these
multipliers that go into the direct labor charges are
really appropriate, and I would like that issue reviewed
very carefully. I mean, it sounds to me like we're paying
for firemen and policemen retirement benefits rather than --

MR. THOMPSON: We're coming back in August with
a consideration of the next nine months on the subsidence-
maintenance account. Maybe at that time we can bring this
issue back.

MR. McCausland: Fine. Thank you.

MS. SMITH: In addition, since you've asked them
to make a study, they may also want to study the general
problems with the subsidence account with Long Beach. I
understand that we have a problem of them having the
ability to acquire additional land, and we're assuming the
responsibility for any subsidence that occurs?

MR. TAYLOR: Item 21 that went by rather quietly,
we had revised the recommendation to you, which was that it
only be for a 90-day period in order that we may talk to
the City about a number of problems in connection with the
subsidence, which is going to be, I guess, the next area of
extensive discussions with the City. That will include all
of the items and can include the one which Mr. McCausland
has also added, but we do have very serious problems. We
have very serious problems with how the City used this fund which we approved for a budget purpose for next year this past year. We still have a very great argument with them over that and think their use of that fund was improper and gave us some problems. But we want to be able to talk to the City, so I don't think that today is the day to take all the shots that each of us might take at each other but to go sit and talk about it for the next couple of months and then bring you back a comprehensive package.

MR. THOMPSON: Also, there's a new city attorney in Long Beach who just took office here, I believe, the first week in June.

CHAIRPERSON CORY: He's been sworn in?

MR. THOMPSON: Yes.

MR. TAYLOR: Yes.

EXECUTIVE OFFICER NORTHROP: I have a meeting with him on July 13th or 14th, at which we're going to discuss many of these issues.

CHAIRPERSON CORY: Fine. Do you have any other questions?

MS. SMITH: (Shakes head.)

CHAIRPERSON CORY: Where are we? Have we approved Item 24?

MS. SMITH: That's the one we were just doing now.

EXECUTIVE OFFICER NORTHROP: That's what we're on
now, Mr. Chairman.

CHAIRPERSON CORY: Okay. Without objection -- we'll go ahead with the approval?

MR. McCausland: Yes.

CHAIRPERSON CORY: Item 24 is approved.

Item 25.

MR. THOMPSON: Item 25 is an annual account of the year we're in right now in which the City is asking for an augmentation of the work they performed and charged against the State Lands' expense.

MS. SMITH: Did they receive prior approval before they incurred the additional cost?

MR. THOMPSON: They are asking for this, and this will be for the period from today through the end of the month.

MS. SMITH: Okay. I may have misread this item, but -- it's either this one or 21 -- I understand they expended money that they did not have our approval to expend --

MR. THOMPSON: They have a prior approval for $80,000.

MS. SMITH: -- and they completed that expenditure?

MR. THOMPSON: Our audit indicates that. We'll have to check that further. I don't know.

MS. SMITH: Okay.
MR. THOMPSON: And this $25,000 will be effective -- your prior approval -- as of today.

MS. SMITH: Did they have time to obtain our prior approval to get the necessary funds?

MR. THOMPSON: Our preliminary audit indicates yes, that by about the end of February -- two-thirds of the way through the year -- they were 75-percent expended in this account.

MS. SMITH: I think that's the only control we have on subsidence-remedial work is whether or not they actually come in and ask for our prior approval before they make these expenditures.

MR. THOMPSON: Well, that can be handled through the audit because they don't have prior approval for the eighty thousand. What you're voting on here now is from today to the end of this month.

MS. SMITH: But they've already expended the mone, right?

MR. THOMPSON: But that's an audit situation as to whether they will be able to be reimbursed for that. That's a side issue from what you're acting on today. That's for us to determine at the staff level and with the attorneys.

MR. McCUSAULAND: Let me ask a question, if I might. How can you spend $25,000 in two weeks on this, you
know, directly charged to us?

MR. THOMPSON: Well, I can phrase it the other way: We don't think that you can give prior approval until today for their request for a dollar amount.

MR. McCausland: Then maybe we should give them $1.

MS. SMITH: We're not even giving prior approval. We're simply ratifying their previous expenditure.

MR. THOMPSON: No, no. You're not. You are approving an expenditure effective today for the remainder of this month -- June 22nd, today, anything that they charge thereon.

CHAIRPERSON CORY: But the question is: Was the actual obligation incurred previously?

MR. THOMPSON: For $80,000. The prior approval a year ago in June for $80,000 --

CHAIRPERSON CORY: No. That's the accounting transaction. What happened -- you're saying that there will be some goods and services -- real goods and services -- that will take place between now and the end of the month if we approve this, and they will not take place if we don't approve it?

MR. THOMPSON: No. If you don't approve it, they will not be reimbursed for it.

CHAIRPERSON CORY: Okay. Then that's the
distinction that I think Betty is trying to deal with, that
we're really approving a reimbursement of them going ahead
without our approval.

MS. SMITH: Right.

MR. THOMPSON: I wouldn't look at it that way.

I think you're giving your approval --

CHAIRPERSON CORY: We don't care how you want to
look at it.

MR. THOMPSON: Okay.

CHAIRPERSON CORY: That's how the Commissioner
is looking at it.

EXECUTIVE OFFICER NORTHROP: Mr. Chairman, may I
say that --

CHAIRPERSON CORY: If we're missing the point,
let's try to figure it out.

EXECUTIVE OFFICER NORTHROP: I think the staff
understands your point. I think what Mr. Thompson is
attempting to say is the fact that if this money is to be
used for previously committed obligations, we will not
allow them to use that because that's not the intent of
this motion. The intent of this motion is that if they
have got something sitting out in the woods that they'd like
to take the $25,000 and pay for, no way. It can only be
for things that they do after the approval time this
morning -- or the disapproval time this morning, whatever.
MR. McCausland: I withdraw my statement that they've probably been using generally accepted accounting practices in their dealings with the State Lands Commission. I am sorry that's on the record, and I move to deny.

Ms. Smith: I second the motion.

Chairperson Cory: The motion is seconded to deny Item 25.

All those in favor, signify by saying, "Aye".

(Ayes.)

Chairperson Cory: Opposed?

(No response.)

Chairperson Cory: The motion carries. Item 25 is denied.

Item 26.

Mr. Hight: Mr. Chairman, this is a disclaimer of compensation for a 24-month road easement, and at this point it's difficult to determine whether the Commission has any interest in it.

Chairperson Cory: Anybody in the audience on Item 26?

Mr. McCausland: Is that suggested at a later point, that we might find that we had an interest in it?

Mr. Hight: If the interest is there, it would be minimal.

Mr. McCausland: All right.
CHAIRPERSON CORY: You're saying it's a time-period lease of 24 months for a roadway and not the full amount of these acreages listed here?

MR. HIGHT: Yes.

MR. MILLS: Could I clarify this?

CHAIRPERSON CORY: Come forward and --

MR. MILLS: My name is Steve Mills. I'm staff counsel with the Commission.

CHAIRPERSON CORY: Let me first state that, as I read the mood of this Commission, the less said the better if you want anything --

MR. McCAUSLAND: Quit while you're ahead.

MR. MILLS: I'm at least temporarily a staff counsel with this Commission.

(Laughter.)

CHAIRPERSON CORY: Okay.

MR. MILLS: Basically what happened in this case -- it's a federal condemnation. The federal government came in -- I believe it was the Corps of Engineers -- and made some core-hole samples over several parcels of land. The Commission may have an interest in some of those parcels. We have been approached by several parties on some of those parcels, and there is currently a lawsuit pending between two private parties regarding title to those parcels. The Commission may be named in this lawsuit at a later date.
There was no compensation paid to anyone for this easement to take core-hole samples, and the staff felt that it was inappropriate to attempt to try title over parcels which the Commission may have a claim to in the federal case. If we have an interest, which we have not yet determined, we would much rather try title in a State court action in a quiet title action or, in view of the pending litigation --

CHAIRPERSON CORY: A disclaimer in this case can't be used against the --

MR. TAYLOR: It's not a disclaimer of interest. It's a disclaimer of compensation, and that's said in several of these items. We assert the interest and disclaim the right to be compensated. So we're preserving our title claims, but we feel that the cost and the benefits to be derived in having the battle at this point just aren't worth it.

MR. McCUSLAND: No objection.

MS. SMITH: The feeling I get is that if you determine the compensation you would be entitled to, it would be so minimal that it's worth giving up your right.

MR. MILLS: There was no compensation paid to any party in this lawsuit. It would be very difficult to establish any significant compensation for the damages, as it was a temporary --
MR. TAYLOR: We're doing that in several of these, if you want to just take them as a group. We're asserting our interest, and we're saying that as far as we're concerned it costs us more to define and protect our interests than the property is worth, but we want to preserve our claim because of other interests or because of subsequent litigation that come up over that parcel. And that's the way it stands.

MS. SMITH: No objection.

MR. McCANSLAND: No objection.

CHAIRPERSON CORY: All right. Item 26 is approved as presented.

Item 27, authorization to engage in litigation for sovereign lands at the North Spit entrance of Samoa Peninsula, Humboldt Bay, Humboldt County.

EXECUTIVE OFFICER NORTHHROP: That's right.

MS. SMITH: I'll move it.

CHAIRPERSON CORY: Anybody in the audience on this one?

Questions?

MR. McCANSLAND: No objection.

CHAIRPERSON CORY: Without objection, Item 27 will be approved as presented.

Item 28, proposed acceptance of retrocession of exclusive jurisdiction to concurrent jurisdiction of 423
acres, more or less, of land at Oakland Army Base, Alameda County.

Any questions from members?

MS. SMITH: No. But for the record, the statutory authority of Mr. Hull was inserted in the calendar so it will be on the record, right?

MR. HIGHT: Yes.

CHAIRPERSON CORY: Anybody in the audience on this item?

Sid, any questions?

MR. McCausland: (Shakes head.)

MS. SMITH: No objection.

CHAIRPERSON CORY: Without objection, Item 28 will be approved as presented.

Item 29.

EXECUTIVE OFFICER NORTHPROP: Mr. Chairman, Items 29 through 33 might be treated as a unit.

CHAIRPERSON CORY: Is there anybody in the audience on Items 29 through 33?

If they could be treated as a unit and they're noncontroversial, why weren't they on the Consent Calendar?

EXECUTIVE OFFICER NORTHPROP: Mr. Chairman, the Legal Department --

CHAIRPERSON CORY: Moving right along, is there anybody in the audience on any of these?
Any questions?

MR. McCUSAULAND: No.

MS. SMITH: No.

CHAIRPERSON CORY: Items 29 through 33 will be approved as presented.

Item 34.

EXECUTIVE OFFICER NORTHROP: Mr. Chairman, for Item 34, I would like to introduce Bud Uzes, who has spent some 13 years of his career at State Lands on the Alamitos Bay, and Greg Taylor, who have really done a super job on this. I'd like them to make a presentation to the Commission. Mr. Taylor. Mr. Uzes.

MR. TAYLOR: I believe this has been explained to you in briefings, but, basically, it's a land-title settlement.

Bud, do you want to show them the areas that are going to be included in the agreement?

This is in the Alamitos Bay area of Long Beach, which is along the City of Long Beach/Orange County boundary. Pacific Coast Highway traverses part of the property and is the northerly boundary part of it.

This agreement was the first one we reached back in about 1967, but it is so complicated that it was decided for ease of explanation that we would do two other agreements in the area and take them to the Supreme Court.
for approval. It will still take more than six months of fairly intensive work to close this agreement. This is the agreement. The deeds are twice the height of this document, and there are probably a hundred parties that have to be chased down and get them to sign. And there are several boxes of title reports that will still have to be reviewed before the closing can occur.

The parcels are those sections that are colored, plus then we show the marina basins and the other areas that are involved in the agreement.

MR. UZES: Down in here. I don't know if you can see the photograph. The Marina Basin is down here, which would be in this area.

MR. TAYLOR: Basically, the interests of the City which are held in trust are being traded so that the City will have public access to Cerritos Channel.

As a result of this and a previous agreement, they will have the ownership on both sides of Cerritos Channel from Marine Stadium to the Pacific Coast Highway, with public access. And the Coastal Commission has, at least on the right bank, approved additional public marinas. We have discovered a clam bed on the left bank, and whether the clams will be preserved or whether there will be some accommodation or relocation is still an object of some discussion.
But when we originally started this transaction it was to increase the availability of public boat slips operated by the City of Long Beach. And Mr. Cameron informed us yesterday -- he's one of the attorneys for the private parties -- that he was trying to get a boat slip down there and was informed that there was still a 14-year waiting list for public slips in Alamitos Bay. And that's been the case for the last 15 years.

CHAIRPERSON CORY: That's Mr. Cameron?

MR. TAYLOR: Tim Cameron is here as well as Mr. Verrue from the Tidelands Department, City of Long Beach, on this transaction today. He is about the sixth generation of attorneys in his particular firm that has worked on this transaction.

In any event --

CHAIRPERSON CORY: It's a small footnote, but if Tim Cameron can't get a boat slip --

MR. TAYLOR: It says something for the honesty of the process.

(Laughter.)

CHAIRPERSON CORY: Things have sure gone to hell in a hurry there.

(Laughter.)

MR. TAYLOR: I'd like to say that the Clerk of the Court of Appeal did not get a boat slip for 15 years in that...
area.

CHAIRPERSON CORY: To clarify it for those who are listening, there was a bond issue that voters kept turning down for the harbor, the main unit down there. And there was another fellow named Cameron who finally figured out how to solve that problem. They no longer called it a yacht harbor but a small boat facility -- recreational facility -- and the voters were willing to approve it. That's a relatively small change that enabled the thing to be developed, and it was surprising that that name doesn't mean more to people. But go ahead.

MR. TAYLOR: The transaction basically provides for exchange of documents between the parties clarifying the title and bringing the title up to date, removing the State's claim and the City's claim as the State's trustee to certain areas and, where the City is agreed to be the owner of the property pursuant to the grant, relocating that property where it will better suit trust purposes.

Bud has indicated just how you relocate. Where he's pointing now with his finger -- where the KFOX radio tower is -- would be relocated to the side of Cerritos Channel. The areas that he has colored in orange on the map are areas that the Legislature terminated the public trust easement of Commerce, Navigation, and Fisheries. The Commission was to identify those areas which, as of the date
of the bill, had been filled and reclaimed.

So for this area, those are being shown. We didn't terminate the easement over any water-covered areas, and we did not terminate the easement over any streets which provide access -- with one exception. We throw some language in there that there is an ability to relocate some streets and, therefore, some streets have been shown as having the easement terminated. In fact, it isn't, but I don't think you'd care to hear how that goes through.

The end result is that many streets in that subdivision that is proposed for that area will be subject to the public trust easement so the public will have access through the subdivision to the Cerritos Channel.

There are several reasons for the delay of this matter. One is that they wanted to get a Coastal permit so that they would know the ultimate configuration that would be allowed for some development and then take into consideration where the City parcels would be. The Coastal permit has now been obtained for that subdivision, and this agreement has moved forward on the basis of that Coastal Commission action.

As a result, the City did obtain -- in addition to the parcels which are to be received by this agreement -- an additional parcel -- Bud, if you could show where that would be -- which will complete it and give them a larger
park area along Cerritos Channel in this area.

MR. UZES: In through here?

MR. TAYLOR: No. It's below 2(A). Right below that.

MR. UZES: Through here?

MR. TAYLOR: Yes, right there. There will be one additional parcel there.

There is a mineral aspect of this. The City's minerals under the trust grant are recognized, and there is an exchange of drill-through rights so that each party can use remote sites for exploration of oil and gas. There are some interests in this area, although it had been believed up until a few years ago that the oil production in this area was about exhausted. Now there's some new exploration going on, and no one knows exactly what the results of that will be, so there may be some activity in that in future years, but that will have to wait for the close of this escrow.

The City of Long Beach has approved this agreement. The basic private landowners have approved the agreement. Standard Oil has approved it in concept. It's still through their review process. There are a number of other parties that still have to approve it.

CHAIRPERSON CORY: Anybody in the audience on this item who wishes to address the Commission?
Your recommendation is that it's a good settlement?

MR. TAYLOR: Yes.

CHAIRPERSON CORY: And Bud Uzes has a new project on the Nevada boundary, so we don't need to protect his job any longer. We can cover it, and we can approve this, right?

(Laughter.)

MR. TAYLOR: I would say that Mr. Uzes' mapping activity in this area as a result of these agreements will probably continue for at least another year and, although this is the last of the major title settlements --

CHAIRPERSON CORY: You guys haven't learned anything from Prop. 13.

(Laughter.)

MR. TAYLOR: Although this is one of the last major title problems, there are still disputes around Naples and other areas which have not been resolved. But these will be smaller lawsuits or negotiations with an individual or maybe up to ten or fifteen parties. We have not solved all the problems. We've just solved the main ones so that everyone can go ahead, and these things can be taken up as they become important.

However, in order to complete the mapping requirements under Chapter 2000 of the Statutes of 1957,
there is at least a year of work left for the mapping people.

CHAIRPERSON CORY: I was just being facetious, Greg. Seriously, I do want to recognize the work that the staff and the Attorney General have done on a very difficult problem in resolving that area.

MS. SMITH: I'd also like to commend them and also indicate that we're not showing any lack of interest by cutting you short. It's just that we have been thoroughly briefed on this already yesterday.

CHAIRPERSON CORY: Okay. Without objection, Item 34 is approved as presented.

MR. McCausland: Don't I get to commend anybody?

CHAIRPERSON CORY: Did you want to?

MR. McCausland: No. I just wanted to be asked.

(Laughter.)

CHAIRPERSON CORY: The record will reflect that Mr. McCausland did not have anything nice to say at this time.

(Laughter.)

CHAIRPERSON CORY: Status of major litigation.

MR. TAYLOR: Mr. Chairman, the only item, I think, that needs to be reported at this time is the fact that the private party, Mr. Lyon, in the Clear Lake high-water/low-water litigation has filed a Motion for Summary Judgment,
raising the high-water/low-water question. That's expected to be argued in the first part of July. Depending upon how that ruling comes out, it might present a way of going to the appellate courts on that question.

We already have one attempt to get the question decided pending now before the Court of Appeal here in Sacramento County, but we are making every effort possible to get this issue --

CHAIRPERSON CORY: Will that go to the same District Court?

MR. TAYLOR: No. I'll have to check the map, but I think that Lake County will go to San Francisco, but I'm not sure.

MR. HIGHT: (Nods head.)

MR. TAYLOR: One will be in San Francisco. We made a motion to consolidate or to have the Supreme Court take over the high-water/low-water controversy now pending in Sacramento. And they declined to take it. If we get a number of appeals from different counties, we may renew that motion and see if they will consolidate the cases.

CHAIRPERSON CORY: Anything else?

EXECUTIVE OFFICER NORTHROP: No, Mr. Chairman.

CHAIRPERSON CORY: The last item is confirmation of the time and place for the next meeting, July 19th, Wednesday, at ten a.m., Monterey -- what? California?
Mexico?

EXECUTIVE OFFICER NORTHROP: Monterey, California, at the City Council Chambers.

CHAIRPERSON CORY: Okay. If there is nothing else to come before the Commission, we stand adjourned.

(Thereupon the meeting of the State Lands Commission was adjourned at 11:17 a.m.)

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CERTIFICATE OF SHORTHAND REPORTER

I, KATHLEEN M. REED, a Certified Shorthand Reporter of the State of California, do hereby certify:

That I am a disinterested person herein; that the foregoing State Lands Commission Meeting was reported in shorthand by me, Kathleen M. Reed, and thereafter transcribed into typewriting.

I further certify that I am not of counsel or attorney for any of the parties to said meeting, nor in any way interested in the outcome of said meeting.

IN WITNESS WHEREOF, I have hereunto set my hand this 13th day of July, 1978.

KATHLEEN M. REED
Certified Shorthand Reporter
License No. 3486